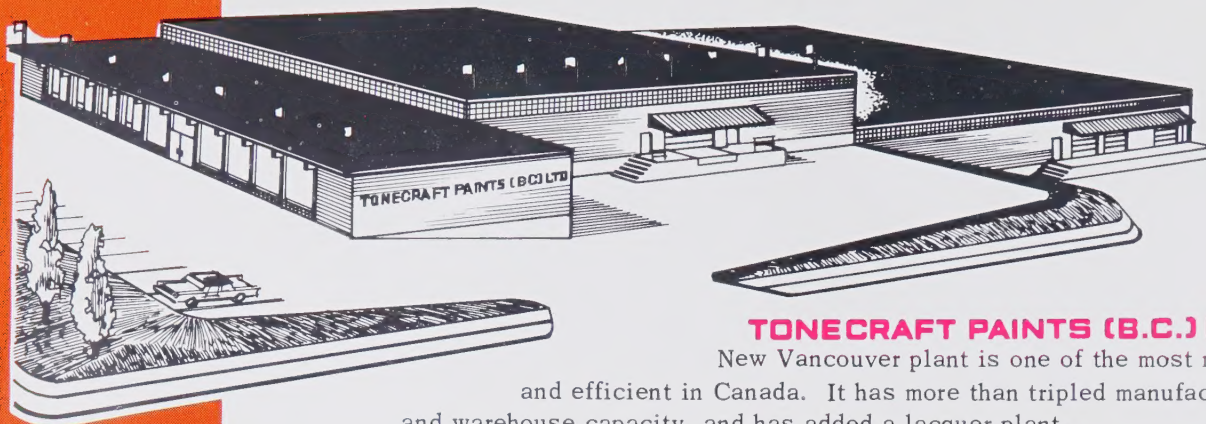


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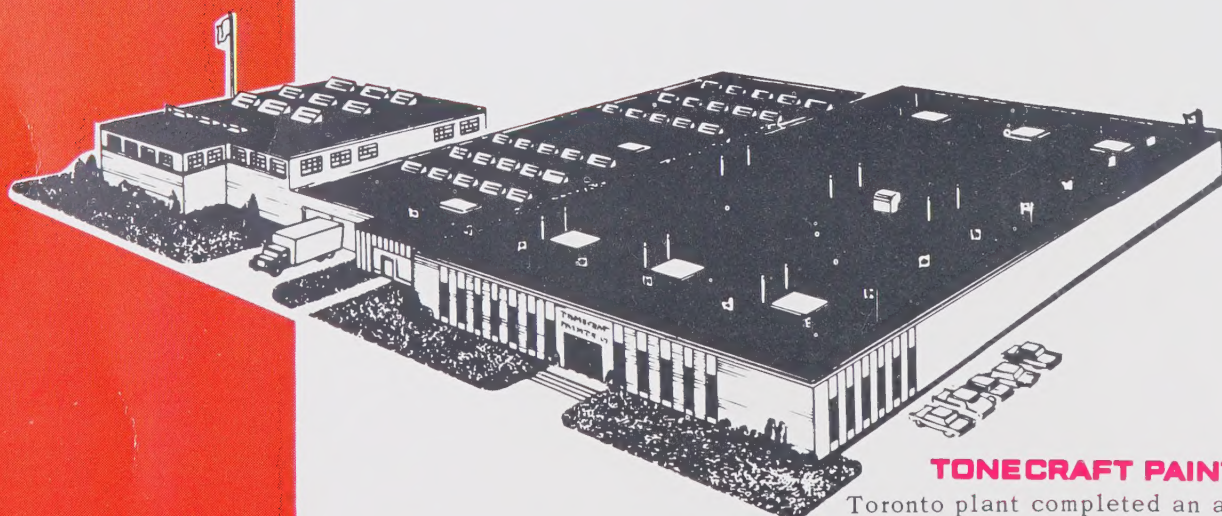


TONECRAFT PAINTS (B.C.) LTD.

New Vancouver plant is one of the most modern and efficient in Canada. It has more than tripled manufacturing and warehouse capacity, and has added a lacquer plant.

TONECRAFT **The Paintmakers**

Factory locations in Toronto and Vancouver
distribute across Canada



TONECRAFT PAINTS LTD.

Toronto plant completed an addition to warehouse space in January 1968, and has added many new pieces of equipment for increased and accelerated production.

TONECRAFT PAINTS LIMITED

FINANCIAL HIGHLIGHTS

	1968	1967	1966
Sales	\$7,495,025	\$6,267,152	\$4,581,590
Working capital	697,610	1,200,395	1,217,953
Net fixed assets	1,632,117	658,219	345,721
Earned surplus	2,186,560	1,839,518	1,561,950
Net profit before taxes	888,639	743,993	552,917
Net profits after taxes.	434,518	365,100	275,086
Dividends on common shares	80,683	79,823	79,823
Earnings per common share	1.05	91¢	69¢



Directors' Report to the Shareholders

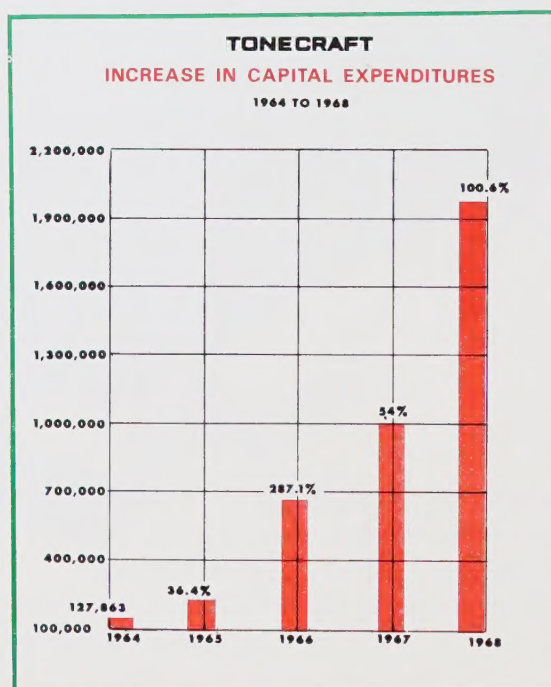
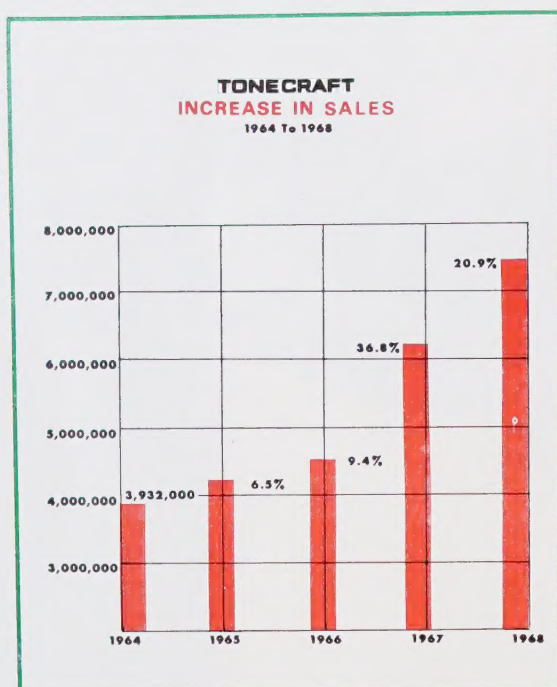
On behalf of the Board of Directors, it is a pleasure to present to you our Annual Report for the fiscal year ending December 31, 1968.

The past year was another in an uninterrupted stretch of 15 years of successful corporate achievement for your company. It has been a year of expansion in every direction; one in which your company has, more than ever, made its mark on the paint industry and on the Canadian scene.

Sales during 1968 were \$7,500,000 compared to \$6,200,000 in 1967 for an increase of \$1,300,000 or 20.9%. Earnings

increased to \$434,000 in 1968 compared to \$365,100 in 1967 for an increase of 18.8%. As a consequence, earnings per common share rose from 91¢ in 1967 to \$1.05 in 1968. These results are significant, particularly when considering the expenses involved in opening new stores, upgrading existing ones, taking the full depreciation expense allowed for tax purposes including new buildings and equipment, all of which were included in the 1968 figures.

Working Capital was \$697,000 at December 31, 1968 compared to \$1,200,000 at December 31, 1967.





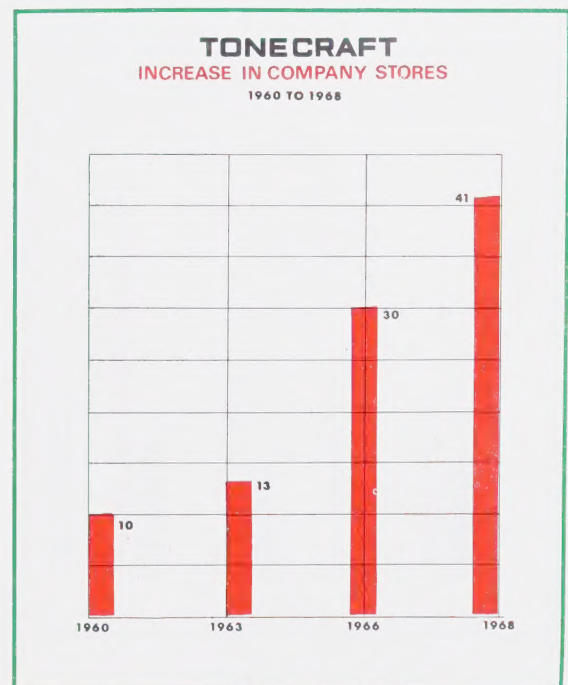
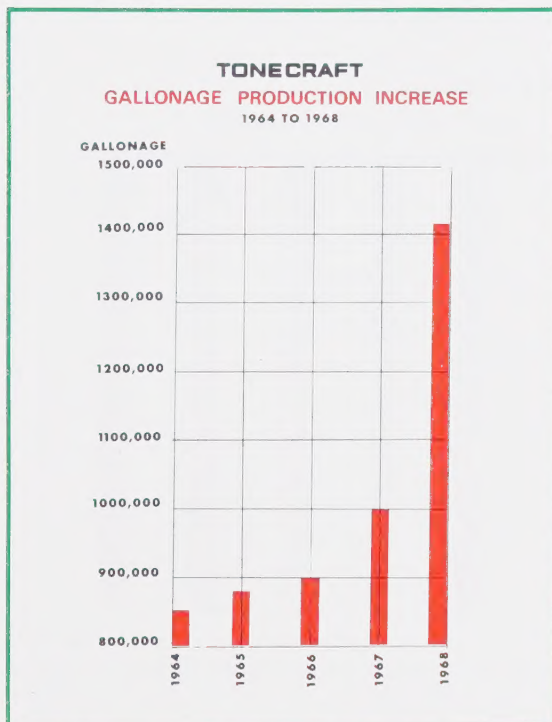
However, since the year end, your Directors have arranged for a long term loan of \$700,000. In addition, the loan payable of \$299,000 has been redeemed by the issuance of 14,950 common shares and a mortgage for \$155,000 has been arranged. These steps will bring the Working Capital to a satisfactory level.

As always, the company policy is to provide the best of products. To this end, constant effort is made to improve existing lines and to discover new and better products through research and development. To provide production facilities and markets for these products your company has invested \$2,085,000 in Capital Expenditures. A new plant,

with triple the capacity of the old one, was built in Vancouver. Land was purchased and buildings constructed to provide new outlets for the expanded production.

Emphasis continued to be placed on opening new stores which in 1968 numbered 41 compared to 33 in 1967. Your company plans to continue expanding its chain of stores and also continue upgrading and enlarging existing stores in order to provide better service and increase our number of articles carried for sale.

To provide the information support that any successful company must have, the new computer centre is being con-





ONECRAFT PAINTS LIMITED

tinually utilized. New programs have been written and new applications processed. Your company is now receiving information that would not have been feasible without mechanization.

In conclusion, we are extremely optimistic concerning both the immediate and long range growth of the company. Expanded facilities will continue to result in substantial efficiencies and economies while increased sales will continue both in our present locations and through continued openings of new paint centres.

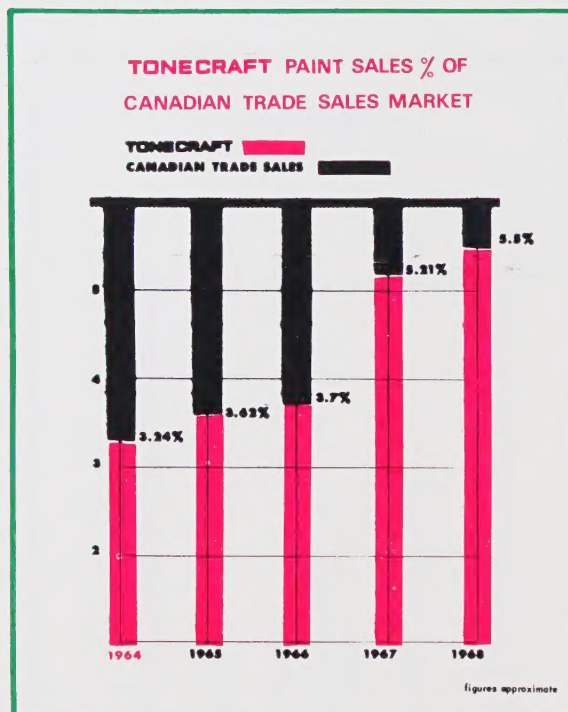
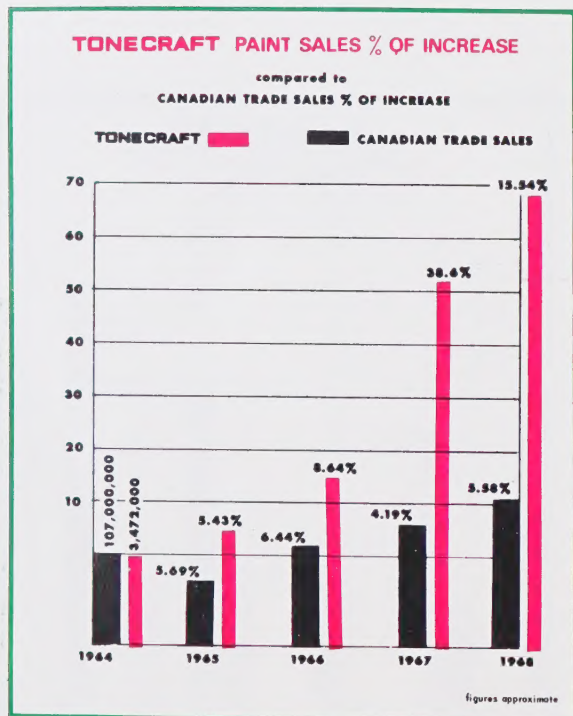
On behalf of the Board of Directors we would like to thank our employees for their loyalty, our customers for their patronage, and our shareholders for their support.

On behalf of the Board of Directors:

D. R. STRONGMAN,
President.

B. F. STRONGMAN,
Secretary-Treasurer.

April 1, 1969



TONECRAFT PAINTS LIMITED

and subsidiary companies

Consolidated Statement of IncomeYEAR ENDED DECEMBER 31, 1968
(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Sales	\$ 7,495,025	\$ 6,267,152
Cost of Sales	<u>4,004,290</u>	<u>3,515,445</u>
Gross profit	<u>3,490,735</u>	<u>2,751,707</u>
Operating expenses	<u>2,587,744</u>	<u>2,005,679</u>
Interest on mortgages	<u>14,352</u>	<u>2,035</u>
	<u>2,602,096</u>	<u>2,007,714</u>
Income before income taxes	888,639	743,993
Income taxes	<u>454,121</u>	<u>378,893</u>
Net income for the year	<u>\$ 434,518</u>	<u>\$ 365,100</u>

Consolidated Statement of Retained EarningsYEAR ENDED DECEMBER 31, 1968
(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Balance at beginning of year	\$ 1,839,518	\$ 1,561,950
Net income for the year	<u>434,518</u>	<u>365,100</u>
	<u>2,274,036</u>	<u>1,927,050</u>
Dividends on		
Preference shares	6,793	7,709
Common shares	<u>80,683</u>	<u>79,823</u>
	<u>87,476</u>	<u>87,532</u>
Balance at end of year	<u>\$ 2,186,560</u>	<u>\$ 1,839,518</u>

**Consolidate**

DEC

(with comparative

A S S E T S**CURRENT ASSETS**

	<u>1968</u>	<u>1967</u>
Cash	\$ 135,406	\$ 128,641
Marketable securities, at cost		50,000
Accounts receivable	781,810	823,744
Inventories (note 2)	1,664,268	1,068,477
Prepaid expenses	38,437	30,751
	<u>2,619,921</u>	<u>2,101,613</u>

FIXED ASSETS (note 3)

Land, buildings and equipment, at cost	2,085,225	1,039,324
Less accumulated depreciation	453,108	381,105
	<u>1,632,117</u>	<u>658,219</u>

OTHER ASSETS

Excess of cost of shares over book value at dates of acquiring shares of subsidiaries	526,461	110,760
Goodwill, at cost	141,772	141,772
Special refundable tax	11,414	15,176
Patent license, at cost		10,017
Incorporation expense		1,384
	<u>679,647</u>	<u>279,109</u>

Approved on behalf of the Board:

B. F. STRONGMAN, Director

W. M. STRONGMAN, Director

\$ 4,931,685\$ 3,038,941



Balance Sheet

1, 1968

December 31, 1967)

LIABILITIES

CURRENT LIABILITIES

	1968	1967
Bank advances	\$ 1,132,959	\$ 535,624
Accounts payable and accrued liabilities	345,904	202,419
Note payable, maturing January 1969 (Note 4)	299,000	
Income and other taxes payable	138,993	80,381
Mortgages payable		80,000
Principal instalments due within one year on mortgages payable	5,455	2,794
	<u>1,922,311</u>	<u>901,218</u>

MORTGAGES PAYABLE (note 5)	262,415	44,969
Less principal instalments included in current liabilities	5,455	2,794
	<u>256,960</u>	<u>42,175</u>

DEFERRED INCOME TAXES (Note 6)	<u>9,824</u>	
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SHAREHOLDERS' EQUITY

CAPITAL STOCK (Notes 4 and 7)

Authorized

76,710 (100,000 in 1967) 4% Preference shares
convertible, issuable in series and
redeemable at par value of \$5 each

513,700 (500,000 in 1967) Common shares without
par value

Issued

16,710 Series A preference shares (40,000 shares in 1967)	83,550	200,000
60,000 Series B preference shares	300,000	
412,814 Common shares (399,114 in 1967)	<u>172,480</u>	<u>56,030</u>
	556,030	256,030

RETAINED EARNINGS

	<u>2,186,560</u>	<u>1,839,518</u>
	<u>2,742,590</u>	<u>2,095,548</u>
	<u>\$ 4,931,685</u>	<u>\$ 3,038,941</u>



Consolidated Statement of Source and Application of Funds

YEAR ENDED DECEMBER 31, 1968
(with comparative figures for 1967)

Source of funds	1968	1967
Operations		
Net income for the year	\$ 434,518	\$ 365,100
Add items not involving a current outlay of funds:		
Depreciation	72,003	56,977
Deferred income taxes	9,824	
Patent license written off	10,017	
Incorporation expenses written off	1,384	
	<u>527,746</u>	<u>422,077</u>
Issue of Series B preference shares	300,000	
Mortgage advances	240,000	25,000
Working capital of subsidiaries acquired	141,300	
Sale of fixed assets	55,210	1,805
Special refundable tax	3,762	
	<u>1,268,018</u>	<u>448,882</u>
Application of funds		
Additions to fixed assets	1,068,112	371,280
Acquisition of subsidiaries	590,000	
Dividends on		
Preference shares	6,793	7,709
Common shares	80,683	79,823
Decrease in non-current portion of long-term debt	25,215	2,674
Special refundable tax		4,954
	<u>1,770,803</u>	<u>466,440</u>
Decrease in working capital	502,785	17,558
Working capital at beginning of year	1,200,395	1,217,953
Working capital at end of year	<u>\$ 697,610</u>	<u>\$ 1,200,395</u>



Notes to Consolidated Financial Statements

Year ended December 31, 1968

1. BASIS OF CONSOLIDATION

The subsidiaries are

Geo. C. Henderson Limited a wholly-owned subsidiary, and its wholly-owned subsidiary Tonecraft Paints (B.C.) Limited and Golden Crown Sales Ltd., a wholly-owned subsidiary.

On December 18, 1968 the names of subsidiaries were changed as follows:

Myrtle Holdings Limited changed to Geo. C. Henderson Limited

Geo. C. Henderson Co. Ltd., changed to Tonecraft Paints (B.C.) Limited.

The consolidated figures represent the operating results of Tonecraft Paints Limited, Geo. C. Henderson Limited and Tonecraft Paints (B.C.) Limited for the years ended December 31, 1968 and 1967 and the operating results of Golden Crown Sales Ltd. for the four months ended December 31, 1968.

2. INVENTORIES

	1968	1967
Raw materials	\$ 182,171	\$ 209,655
Tonecraft products	999,571	650,333
Colorants	33,675	24,031
Miscellaneous merchandise	448,851	184,458
	<u>\$1,664,268</u>	<u>\$1,068,477</u>

The above are valued at lower of cost and replacement cost.

3. FIXED ASSETS

	1968		1967
	Cost	Accumulated Depreciation	Net
Land	\$ 633,981	\$	\$ 633,981
Paving	7,936	1,445	6,491
Building under construction	269,636		
Buildings	412,493	31,327	650,802
Storage tanks	9,595	6,010	3,585
Machinery and equipment	609,554	334,481	275,073
Automotive equipment	47,447	32,459	14,988
Leasehold improvements	94,583	47,386	47,197
	<u>\$2,085,225</u>	<u>\$ 453,108</u>	<u>\$1,632,117</u>
			<u>\$ 658,219</u>

(continued)



TONECRAFT PAINTS LIMITED

and subsidiary companies

Notes to Consolidated Financial Statements (continued)

3. FIXED ASSETS (continued)

The company and subsidiaries take depreciation on the above fixed assets at the maximum normal rates allowed by the Income Tax Act, with the exception of building under construction where depreciation was claimed for tax purposes but not recorded in the company's accounts.

The estimated cost to complete buildings under construction is \$226,391.

The company has made offers and purchased options on land in the amount of \$203,000.

Tonecraft Paints (B.C.) Limited is presently negotiating to obtain a 9¼% mortgage in the amount of \$280,000 on a building under construction.

4. NOTE PAYABLE

Subsequent to the year end 14,950 common shares were issued in settlement of the promissory note.

5. MORTGAGES PAYABLE

	<u>1968</u>	<u>1967</u>
8% due November 1, 1987	\$ 24,370	\$ 24,913
8¼% due August 1, 1978	46,105	
8¼% due August 1, 1978	48,088	
8¼% due August 1, 1978	59,497	
9¼% due July 15, 1973	84,355	
7½%		20,056
	<u>\$262,415</u>	<u>\$ 44,969</u>

6. INCOME TAXES

This year, for income tax purposes, Tonecraft Paints (B.C.) Limited has claimed capital cost allowance in excess of depreciation recorded in the accounts with the result that income taxes payable for the year have been reduced by \$9,824. This reduction is included in "deferred income taxes" in the accompanying balance sheet, to be taken into earnings of future years when capital cost allowances for income tax purposes may be less than the depreciation recorded in the accounts.

7. CAPITAL STOCK

On November 19, 1968 Supplementary Letters Patent were granted which provide that the second series of preference shares consist of 60,000 4% Series B convertible, cumulative preference shares redeemable at par value of \$5 each.

Preference shares are convertible as follows:

- 8½ series A to 5 common shares
- 4 series B to 1 common share

(continued)

TONECRAFT PAINTS LIMITED



and subsidiary companies

Notes to Consolidated Financial Statements (continued)

7. CAPITAL STOCK (continued)

During the year, all 4% Series B preference shares were issued as part consideration for the acquisition of all outstanding capital stock of Golden Crown Sales Ltd. Payment was made as follows:

Cash	\$ 1,000
60,000 Series B preference shares	300,000
Note Payable	299,000
	<u>600,000</u>
Less debt assigned by vendor	10,000
	<u>\$590,000</u>

During the year 13,700 common shares were issued pursuant to the conversion of 23,290 Series A preference shares.

8. LONG-TERM LEASE

The company rents a building under a long-term lease which expires May 31, 1987, the annual rental for which is \$62,000. The company also rents office furnishings under a long-term lease which expires August 15, 1977, the annual rental for which is \$9,454.

9. OTHER STATUTORY INFORMATION

	1968	1967
Depreciation	\$ 72,003.	\$ 56,977.
Remuneration of directors and senior officers	102,972.	96,947.

Auditors Report

To the Shareholders of
Tonecraft Paints Limited

We have examined the consolidated balance sheet of Tonecraft Paints Limited and subsidiary companies as at December 31, 1968 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 11, 1969

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants



TONECRAFT PAINTS LIMITED New Marketing Concepts

Brilliant signs and attractive exteriors mark Tonecraft's new retail stores. Locations are carefully selected on high traffic count arteries, with ample parking, to attract today's motorized trade.

While paint is of paramount importance, allied decorating products have been added. Bright and open banks of display attract the customer, and suggest ever-widening spheres for his decorating talents.

Tonecraft's new-concept stores are showing gratifying results in present test areas and plans are under way for more.



TONECRAFT PAINTS LIMITED

Directors

DIRECTORS

D. R. STRONGMAN
W. M. STRONGMAN
B. F. STRONGMAN
C. P. KEELEY
J. F. McCALLUM
W. G. REID

OFFICERS

D. R. STRONGMAN, President
W. M. STRONGMAN, Vice-President
B. F. STRONGMAN, Secretary-Treasurer

TRANSFER AGENT AND REGISTRAR
MONTREAL TRUST COMPANY

AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON

SOLICITORS

HARRIES, HOUSER, BROWN, HOULDEN & McCALLUM

BANK

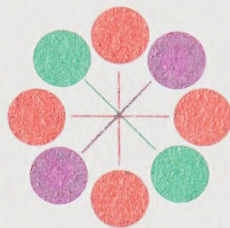
CANADIAN IMPERIAL BANK OF COMMERCE

LISTING

TORONTO STOCK EXCHANGE

AR24

Sub
TONECRAFT



**1968
Half Yearly
Statement
to
Shareholders**

Tonecraft Paints Ltd.

2-D-211

TONECRAFT

1968 HALF-YEARLY REPORT

Your Directors have declared another dividend for the quarter ended June 30, 1968 of 5¢ a share on the capital stock of the Company, payable August 15, 1968 to shareholders of record August 2, 1968.

Sales for the first half of 1968 of \$3,377,186 compare with sales of \$3,035,364 for the first half of 1967 and reflect an increase of \$341,821, or 11.3%. Net earnings after income taxes for 1968 were \$264,793 compared with \$240,578 in 1967, showing an increase of \$24,215 or 10%. The above earnings per share are equal to 66.2¢ against 60.1¢ for the same period last year.

Your Directors are pleased to report the opening of three new large stores with an average floor area of approximately 5,000 square feet, and also the replacement of two older stores with two new large modern stores. While the opening of these stores has added considerably to our expenses and reflected only minimal sales and no earnings to our six month statement, we expect each of them to be good producers in the future.

Prospects for the next quarter appear favourable, and indications are that the trend of increase in sales and profit will continue.

August 2, 1968
Div. No. 12

B. F. STRONGMAN, Secretary-Treasurer



Tonecraft Paints Ltd. and Subsidiary
STATEMENT OF PROFIT AND LOSS

CONSOLIDATED STATEMENT
For the six months ended June 30, 1968

	1968	1967
Sales	\$ 3,377,186.56	\$ 3,035,364.70
Cost of Goods Sold	<u>1,858,922.49</u>	<u>1,709,416.53</u>
Gross Profit on Sales	1,518,264.07	1,325,948.17
Operating Expenses	<u>907,722.33</u>	<u>778,204.62</u>
Profit from Operation		
before undernoted expenses	610,541.74	547,743.55
Provision for Depreciation	21,693.00	17,009.00
Remuneration of Directors and Senior Officials	<u>47,769.58</u>	<u>40,102.88</u>
	<u>69,462.58</u>	<u>57,111.88</u>
Net Operating Profit	541,079.16	490,631.67
Provision for Taxes	<u>276,286.16</u>	<u>250,053.47</u>
Net Profit for Period	<u>264,793.00</u>	<u>240,578.20</u>
Earnings per share	66.2¢	60.1¢

Sales Increase to Date – \$ 341,821.86 – 11.3%

The 1968 figures are unaudited and subject to year-end adjustments



Tonecraft Paints Ltd. and Subsidiary
COMPARATIVE STATEMENT OF
SOURCE AND APPLICATION OF FUNDS

For the six months ended June 30, 1968

FUNDS PROVIDED	1968	1967
Net income from operations	264,793.00	240,578.20
Add: Charges to operations not affecting working capital – Depreciation	<u>21,693.00</u>	<u>17,009.00</u>
	286,486.00	257,587.20
Mortgage advances (long term)	<u>584,993.62</u>	<u> </u>
	<u>871,479.62</u>	<u>257,587.20</u>
 FUNDS APPLIED		
Additions to fixed assets	404,720.21	94,421.70
Payment of dividends	43,555.26	43,621.00
Purchase of goodwill		6,720.88
Mortgage payments	<u>3,061.35</u>	<u>2,770.82</u>
	<u>451,336.82</u>	<u>147,534.40</u>
Increase in Working Capital	420,142.80	110,052.80
Working Capital at January 1	<u>1,200,395.00</u>	<u>1,230,175.20</u>
	<u>1,620,537.80</u>	<u>1,340,228.00</u>

Included in December 1967 Current Liabilities was an amount of \$279,993.20.
This is a long-term liability and has been shown as such in June 1968.